

number one, this isn't just pay restrictions that go to those in the troubled Wall Street firms. Again, it is almost every covered financial institution. And guess what? If you read further into the bill, it doesn't just cover the top officers, the top executives. Every single employee, every single employee who has an "incentive-based compensation plan" could be covered by this.

We have already learned that somehow, with a very interpretive approach to the English language, General Motors and Chrysler have been found to be financial institutions. This means that any employee, any employee who receives a tip, a sales commission, a Christmas bonus, could have a Federal bureaucrat take it away from them. Ho ho ho.

That is what this legislation is all about. Again, don't get sucked in by the bumper sticker slogan. Read the legislation. That was the problem here on the original bailout. Nobody read the legislation. The government stimulus, nobody read the legislation. Well, fortunately, this isn't a 1,000-page bill. I think it is about 15 or 20 pages. I actually took the time to read it.

And if this is just about class warfare, Mr. Speaker, why doesn't this do anything about Hollywood stars who make \$25 million for a movie, and yet the movie loses money? Why isn't it about a third baseman for the New York Yankees who gets \$21 million and ties his worst record for striking out in the season? Why doesn't this have anything to do with the personal injury trial lawyers who make millions and millions, and their clients are doing good to make thousands?

The SPEAKER pro tempore. The time of the gentleman from Texas has expired.

Mr. BACHUS. I yield the gentleman 1 additional minute.

Mr. HENSARLING. So I hear the rhetoric from the other side of the aisle, which once again seems like a lot of recycled class warfare to me.

Another point I would make, Mr. Speaker, is we hear that we need this in order to somehow deal with safety and soundness. We need this legislation to somehow deal with systemic risk.

Well, number one, I listened very carefully to the testimony that was presented in our committee, and I am sure it is theoretically possible that there are pay structures that somehow may lend themselves to this. But, again, show me the evidence. Where is the evidence? When I look at pay structures among financial firms that failed versus those that didn't fail, I don't see the correlation.

Second of all, as we know, Mr. Speaker, the regulators have the power to regulate the liquidity and capital standards of these financial firms to make it commensurate with the risk. That is the remedy. That is the remedy, not to take Christmas bonuses away from employees.

Mr. FRANK of Massachusetts. Mr. Speaker, I yield myself such time as I may consume.

There is, of course, a contradiction here. When we are talking about a power, namely, to reduce excessive risk incentivizing bonuses that the Republicans want to defend, they talk about the unelected bureaucrats. The unelected bureaucrats can't be trusted. Except the gentleman from Texas, of course, just closed by saying don't worry, the unelected bureaucrats are out there to protect us.

The unelected bureaucrats in the Republican cosmology are like the Obama administration: they are either convenient whipping boys or great sources of wisdom, depending on where Republican ideology turns to them. But the gentleman from Texas just said we don't have to worry. We have those, as his colleagues called them, unelected bureaucrats to do it.

But I am interested, I have noticed a number of Members have said they don't like the bonuses. Is there a Republican proposal to deal with the bonuses that are being given?

Our proposal does not empower anybody to limit the amounts. The question is, is there a Republican proposal that would deal with what Paul Volcker and Ben Bernanke and the financial regulators in England and Warren Buffett and many others believe is a destabilizing tendency to give out bonuses that give you an incentive to take excessive risks, excessive in the sense that you benefit if the risk pays off and you don't lose.

We want people to take risks, but we want them to take risks which balance the upside and the downside, not which just look only at the upside. And I continue to point out not in that committee, not in that 12 years they controlled this place, not during this debate today, not in the Rules Committee, we have not seen a single Republican proposal to deal with bonuses.

Their position apparently is however the financial industry wants to structure bonuses, no matter what they say, that you get a bonus if it pays off in the short term and it turns sour in the long term. You get a bonus if it pays off, but you don't lose a thing if it doesn't pay off. They would leave that entirely unchanged. I think that is very dangerous to the economy, and, yes, there is a consensus among financial regulators and others that this has contributed to risk-taking.

We all believe in the free-market system and the incentives. How can it be that you acknowledge that there is a system which says to people, take a risk, because it is risk-free for you?

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It's risk-free for the individual. It's risky for the company; and when you accumulate all those risks for the company, it's risky for the economy. We're saying, if it's risky for the company and risky for the economy, it ought to be risky for the individual. We want an alignment of risks. We don't want risk-free individuals taking big risks on behalf of those who are going to have to

suffer. We have a proposal to restrain that. The Republican position on that is, do nothing. Let them keep going exactly as they have been going.

Let us return, as I said the other day, to the thrilling days of yesteryear when the lone rangers will ride again, untrammelled by any set of rules. They will be able to continue to give themselves bonuses that allow them to be free of risk. That's the deal. The company will face risk. The economy will accumulate and face risk. But the decision-makers will be free of the risks' negative side; they will gain from the risks' positive side; and like rational people, they will take more risks.

I reserve the balance of my time.

Mr. BACHUS. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. CAMPBELL).

Mr. CAMPBELL. I thank the gentleman for yielding, and I hear the chairman's comments and remarks. There is no argument with anyone, I think, on this floor that executive pay has been an issue, that there have been excesses and that there have been problems that have been created in companies and the economy with executive compensation. I think I would argue that rather than excessive risk taking, that it's more about short-term thinking instead of long-term thinking, which, by the way, is way bigger than just executive pay and is way bigger than the scope of this bill, and which this bill will not solve. But that's another issue.

The question for me is whether this is the right way to deal with it. I would argue no, because is the only problem out there in corporate governance? Is the only thing that has created problems for companies related to executive pay? No. Let's look at General Motors and Chrysler and their recent problems. Were their problems created because of executive pay? I'm not sure I've heard anybody argue that. But were their problems caused, in part at least, because of excessive union contracts? Yes. How about with retirement programs that were unfundable over time? Yes. What about other companies where perhaps there have been legal settlements that have created problems that have been fatal or resulted in companies going bankrupt? Those have occurred. How about mergers and acquisitions?

So what are we going to do? Are we going to have shareholders vote on pay, on mergers, on acquisitions, on union contracts, on retirement pay, on legal settlements, on fees to attorneys? Any of those arguably can bring a company down. Should the shareholders have a say on that? You know, obviously the shareholders are the ultimate owners of the company. If you want to give them a say on pay, fine. Then you'd better give them a say on the rest of that. But I'm not sure anybody on this floor thinks that that's the right thing to do. The best way for shareholders to express their displeasure with the management or operation of a company is